## **Estimated Individual Income Tax**

What is the estimated tax penalty?

The estimated tax penalty will be the appropriate Colorado income tax interest rate times the underpayment for each quarter times the underpayment period. This penalty is computed on <u>Form 204</u>. The estimated tax penalty will be assessed if the required estimated tax payments are not paid in a timely manner.

The estimated tax penalty will not be assessed if any of the following conditions are met:

- 1. No penalty is due if the net Colorado tax liability minus any prepayments and credits, other than the estimated tax payments and credits, is less than \$1,000.
- 2. No penalty is due if the taxpayer was a full-year resident for the preceding 12-month tax year and the net Colorado tax liability in that year was zero.
- 3. No penalty is due if the taxpayer is a farmer or fisherman and files a return with full payment of any tax due by March 1 of the following tax year.

If the tax return is filed and any tax due is paid by January 31 of the following tax year, no penalty will be computed based on any underpayment of the fourth quarter installment payment.